



Department of the Treasury
Internal Revenue Service

Notice 782 (Rev. 6-91)

Cat. No. 63935G

Information on Tax Examinations

General Examination Procedures

Tax returns are examined to verify the correctness of income, deductions, exemptions, and credits. Most returns are selected and given a score by a computer program called Discriminant Function System. Based on these scores, Internal Revenue Service personnel screen and select returns for examination. All returns are selected, by this method or others, for their high probability of error.

You are notified by letter if your return has been selected for examination. If an appointment has not been prescheduled, you are asked to call within ten days to arrange a time convenient for you. If you do not keep an appointment, the examiner will have to proceed on the basis of available information. In some instances, you are then issued an examination report showing proposed changes and additional tax. It is to your advantage to substantiate the items under examination when first requested to do so.

In preparing for the appointment, you should review your tax return and organize the requested records before meeting with the examiner. This will minimize the time needed for the examination and maximize the accuracy of the results.

Specific items are generally identified for examination, but the examiner is responsible for the entire return and can raise additional issues. You can also bring to the interview any information you overlooked when the return was originally filed, or raise any other relevant issues. After review of your records, the return may be accepted as filed, or the examiner may recommend an increase or decrease in the tax liability.

While we strive to conclude examinations as quickly as possible, there are times when it may be necessary for the examiner to research an item in question or secure and review additional documentation after the initial appointment. When the examination is completed, you will be notified of the results. If, at any time, you have a question or concern regarding the status of the examination proceedings, please feel free to call the examiner or the group manager.

If your letter shows a scheduled appointment that you are unable to keep, please phone as soon as possible to reschedule for the earliest convenient date. If your letter requests that you call to schedule an appointment, please do so within the ten days specified. In either case, please review your calendar first in order to avoid rescheduled appointments.

Repetitive Examinations

The examiner tries to identify any repetitive examinations. If all of the three following conditions apply to you, the proposed examination may not be necessary:

1. your return was examined for one of the last two tax years;
2. there were no changes made to your return;
3. the items now identified for examination are the same as those previously examined.

If you meet all three conditions, please notify the person identified in the heading of the letter.

If this present audit results in no change to your tax, retain 1.) the enclosed audit notification letter, 2.) the no change letter (L-590) you will receive, and 3.) the tax return. If your return for either of the two following years is selected for examination, this information will help us review any repetitive audit considerations.

Authorized Representation

You may always have someone accompany you to the interview, or send an authorized representative on your behalf. A completed form 2848, Power of Attorney, is used for this purpose. These forms are available upon request.

Rights of Appeal

After reviewing your records, the examiner may propose changes to your tax liability. If you agree, a report of adjustments will be prepared and your signed consent requested. If you do not agree, the issues in question can be reviewed informally with the examiner's supervisor.

If no agreement can be reached, you may request consideration by a regional appeals officer. The appeals office is independent of the district office. If you decide to bypass Appeals and petition the United States Tax Court, the case will normally be assigned for settlement to an appeals officer before the Tax Court hears the case. The examiner will explain this procedure to you, as well as your appeal rights outside the Internal Revenue Service in the court system.

Publication 556, Examination of Returns, Appeal Rights, and Claims for Refund, is available upon request. It explains the examination procedure and appeal rights in more detail.